

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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to Revise Its Electric Marginal Costs, Revenue )  
Allocation, and Rate Design. )  
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**COMMENTS OF THE CALIFORNIA FARM BUREAU FEDERATION  
ON THE  
NOVEMBER 5 – 6, 2007 DYNAMIC PRICING WORKSHOP**

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December 11, 2007

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The California Farm Bureau Federation<sup>1</sup> (CFBF) is very concerned about the Commission's "Preliminary Conclusions" for the design and implementation of Dynamic Pricing Tariffs (DPTs). During the November 5<sup>th</sup> and 6<sup>th</sup> workshop (Workshop), it was strongly implied that these "Preliminary Conclusions" would be followed unless the Workshop participants (Participants) could convince the Commission otherwise. With that in mind, by the end of the Workshop, Participants generally had agreed on necessary revisions to some of the Preliminary Conclusions as well as modifications to several of the underlying assumptions and the proposed implementation timeframe.

Unfortunately, the Workshop was not formally recorded. Therefore, considering the importance of DPTs and their potential impacts on both customers and utilities, the Participants' comments on the Workshop should be accorded greater weight than usual, particularly for those issues where the Participants are in universal or near universal agreement.

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<sup>1</sup> The California Farm Bureau Federation is California's largest farm organization with more than 91,000 members in 53 county Farm Bureaus. CFBF is a voluntary, non-profit, non-governmental and non-partisan organization of farm and ranch families seeking solutions to the problems that effect their lives, both socially and economically.

First and foremost, customers are concerned with the rates they ultimately will pay and the necessity that those rates are cost-based. Workshop participants uniformly opposed any DPTs that relied on artificially determined prices imposed for policy purposes. Participants also noted the problems created by overlaying DPTs on the existing rate structure, especially when most of the energy delivered to customers is not purchased in the real-time market and the CAISO continues to investigate and redesign the market structure.

Further, it is not clear what the Commission is trying to accomplish with DPTs: is it to improve reliability, decrease peak loads, promote conservation, or some combination of all three? The problem is that some of these goals may conflict. For example, to the extent that reliability, and by extension, resource adequacy, is enhanced, price volatility is reduced, potentially diminishing the amount of peak load reduction and conservation. All of these issues must be resolved before DPTs are finally designed and implemented, otherwise, customers will be forced to pay artificially high and/or duplicative costs.

In addition, several Participants noted that for some groups of customers, DPTs may not achieve the purposes for which DPTs are being proposed. For other customers, DPTs may not prove effective without enabling technologies, such as automatic A/C cycling or thermostat reprogramming. For these reasons, all the Workshop participants, including PG&E and SCE, with the sole exception of SDG&E, agreed that if the Commission maintains its aggressive schedule for implementing DPTs prior to the resolution of these issues, DPTs should be offered only on a voluntary, and not mandatory, basis.

The issue of whether DPTs should be voluntary or mandatory is of great importance to agricultural customers. Presuming the primary purpose of DPTs is to reduce on-peak usage, DPTs will be effective only if customers can respond in practical and cost-effective ways that significantly reduce their on-peak loads. DPTs likely will prove most effective in reducing the two largest on-peak uses, air

conditioning and lighting loads, both of which are discretionary and can be reduced on a variable basis (increasing the temperature or turning off lights). In conjunction with enabling technologies that permit automatic A/C cycling, thermostat reprogramming, and lighting reductions, DPTs may prove beneficial for residential, small commercial and some larger commercial and industrial customers.

However, as CFBF documented in A.05-01-016, et al., agricultural loads, unlike other customer classes, generally are located outdoors and are primarily related to the pumping of water for crop irrigation purposes.<sup>2</sup> Agricultural customers' have virtually no air conditioning or lighting-related loads and their pumps tend to be spread out over many acres of land and are not quickly accessible. In contrast to air conditioning and lighting controls, agricultural pumps generally are not variable, but must be completely turned off to provide load reductions.<sup>3</sup> Mandatory DPTs will cause significant economic harm to the majority of agricultural customers with little, if any, load reduction or reliability improvement benefits.

On the other hand, time-of-use (TOU) rates, which are, in a sense, forms of year round DPTs, have, for many years, greatly benefited both agricultural customers and the electric grid. A large majority of agricultural customers take service on TOU rates and, over the years, have shifted as much load as possible to off-peak periods. As both PG&E and SCE confirmed during the Workshop, TOU rates have proven beneficial both to agricultural customers and the state of California by reducing peak demands.

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<sup>2</sup> See, for example, Testimony of Wendy L. Illingworth, on behalf of the California Farm Bureau Federation, dated February 15, 2005 and October 5, 2005.

<sup>3</sup> While cycling air conditioning loads, increasing room temperatures and turning off some lights may have little impact on productivity, the complete loss of irrigation for crops that depend on daily watering could have severe cost impacts.

Finally, there is no evidence to suggest that imposing DPTs on all customers is required in order to achieve necessary load reductions during peak periods. Participants noted that a reduction of only 500 - 2000 MWs often is enough to ameliorate reliability concerns. The Commission should not presume that a voluntary DPT program would not produce this amount of peak load reduction. Therefore, CFBF recommends the Commission first try voluntary DPTs, perhaps with incentives for enabling technologies, before mandating DPTs for all customers.

Due to the unique nature of agricultural loads and operations, DPTs, other than Time-Of-Use (TOU) rates, are neither practical nor cost-effective options for agricultural customers and would not result in significant agricultural peak load reductions. CFBF believes the Commission is much better served by designing DPTs to significantly reduce the largest, most discretionary and variable on-peak loads: air conditioning and lighting. In any event, DPTs should be made available as a voluntary option only for those agricultural customers that believe their particular usage patterns may be suited to a DPT.

Dated: December 11, 2007

Respectfully submitted,

/S/

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## CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of **COMMENTS OF THE CALIFORNIA FARM BUREAU FEDERATION ON THE NOVEMBER 5-6, 2007 DYNAMIC PRICING WORKSHOP** on all parties identified on the attached service list. Service was affected as appropriate by means indicated below:

- ✓ **Placing the copies in properly addressed sealed envelopes and depositing such envelopes in the United States mail with first-class postage prepaid (Via First Class Mail);**
- ✓ **Transmitting the copies via facsimile, modem, or other electronic means (Via Electronic Means).**

Executed this 11th day of December 2007, at Sacramento, California.

/S/

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